

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

LeRoy Koppendraye
Marshall Johnson
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Thomas Pugh
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Chair
Commissioner
Commissioner
Commissioner
Commissioner

In the Matter of a Petition by Great Plains
Natural Gas Company, a Division of MDU
Resources Group, Inc., for Authority to
Increase Natural Gas Rates in Minnesota

ISSUE DATE: November 23, 2004

DOCKET NO. G-004/GR-04-1487

ORDER SETTING INTERIM RATES

PROCEDURAL HISTORY

On September 7, 2004, Great Plains Natural Gas Company, a Division of MDU Resources Group, Inc., (Great Plains or the Company) filed a general rate case seeking an annual rate increase of \$1,436,026, or approximately 4.0%. The filing included an interim rates proposal and asked that interim rates become effective on or before November 7, 2004.

On September 9, 2004, the Commission issued a notice to potentially interested parties requesting comments on whether the Commission should accept the filing as substantially complete and whether it should be referred to the Office of Administrative Hearings for contested case proceedings.

On September 17, 2004, the Minnesota Department of Commerce (the Department) filed comments recommending that the Commission reject the filing as incomplete. The Department stated that its review revealed serious deficiencies in at least three areas: (1) insufficient detail on compliance with service extension policies and tariffs; (2) inaccurate depreciation calculations resulting from the Company's failure to implement a 2002 depreciation Order; and (3) discrepancies between the rate case filing date, the beginning of the projected test year, and the proposed effective date for interim rates.

On September 28, 2004, the Company filed reply comments contesting the Department's findings and recommendations.

On October 8, 2004, Ag Processing Inc a cooperative (Ag Processing) filed a petition to intervene in the rate case.

On October 21, 2004, the case came before the Commission. At that time the Company and the Department submitted a joint recommendation resolving all disputed issues and permitting the case to go forward on a slightly modified time line. The major terms of the joint recommendation were as follows:

- (a) The Company would file the additional information that had been identified as

missing by the Department, as well as information that had been identified as missing in subsequent conversations with Commission staff.

- (b) The Commission would accept the rate case filing as substantially complete as of November 2, 2004 or the date on which all the information described above had been filed, whichever was later.
- (c) Interim rates would be set at the levels proposed by the Company, with a \$4,823 downward adjustment to correct a mismatch between cost and recovery amounts associated with the Conservation Cost Recovery Charge.
- (d) Interim rates would become effective on the later of January 1, 2005 or a later date corresponding to the filing of the additional information.
- (e) The Commission would suspend the proposed final rates and refer the matter to the Office of Administrative Hearings for contested case proceedings.

No one opposed the joint recommendation of the Company and the Department, and the Commission accepted it in an Order dated November 1, 2004.¹ Under the terms of the Order, interim rates were to be set at the level requested by the Company, adjusted downward by \$4,823 to correct a mismatch between cost and recovery amounts associated with the Conservation Cost Recovery Charge.

Interim rates were to take effect on the later of January 1, 2005 or a later date corresponding to the filing of the additional information required under the Order. The Order delegated to the Executive Secretary the authority to determine the date on which all the additional information required under the Order had been filed.

On November 19, 2004, the Executive Secretary issued a notice stating that November 12, 2004 was the date on which all additional information required under the November 1 Order had been filed.

FINDINGS AND CONCLUSIONS

I. The Legal Standard

Under Minn. Stat. § 216B.16, subd. 3, the Commission must order an interim rate schedule into effect no later than 60 days from the filing of a general rate case, unless the Commission allows the proposed rates to go into effect. In this case the Department of Commerce urged the Commission to reject the rate case filing as incomplete, which would have eliminated any right to the interim rates the filing sought. Instead of litigating the completeness issue before the Commission, the parties reached an agreement, which the Commission accepted.

Under the terms of that agreement, interim rates are to go into effect on the later of January 1,

¹ Order Accepting Rate Case Filing as of Future Completion Date and Suspending Rates, this docket.

2005 or a later date corresponding to the filing of additional information required by the Commission. The Commission reads the second of the two potential effective dates as a date 60 days or less from the date on which the filing was made substantially complete; that would be the date corresponding to the filing date under the statutory scheme.

Under Minn. Stat. § 216B.16, subd. 3, interim rates are established in expedited proceedings conducted ex parte. Except under exigent circumstances, the following principles control.

Interim rates are based on the proposed test year cost of capital, the proposed test year rate base, and proposed test year expenses. They are calculated using existing rate design and the rate of return on common equity authorized in the company's last general rate case. Only rate base and expense items similar in nature and kind to those allowed under the company's last general rate case Order can be included in interim rate calculations.

Interim rates are collected subject to true-up. If the company collects more in interim rates than it would have collected in final rates, it refunds the difference to ratepayers. If it collects less, it can recover the difference, but only for the time period between the final determination in the rate case and the date on which final rates go into effect.²

II. Commission Action

The Commission has examined the Company's interim rates filing and finds that with the two revisions adopted in the joint recommendation—the correction to the amounts associated with the Conservation Cost Recovery Charge and the realignment of the proposed effective date to coincide more closely with the beginning of the test year—the proposed rates comply with the requirements of Minn. Stat. § 216B.16, subd. 3.

With these adjustments, the Commission will approve the Company's interim rates proposal and authorize the collection of interim rates for service rendered on and after January 10, 2005.

The Company will be required to promptly file revised interim rate schedules reflecting the two corrections, to provide a Commission-approved notice of interim rates to customers, and to keep the records necessary to implement any refund ordered at the conclusion of the case.

The Commission will so order.

ORDER

1. The interim rates proposal filed by Great Plains Natural Gas Company is hereby approved, subject to a \$4,823 reduction in the amounts to be recovered under the Conservation Cost Recovery Charge and subject to an adjusted effective date. The Company is authorized to put this rate increase into effect for service rendered on and after January 10, 2005.

² Minn. Stat. § 216B.16, subd. 3.

2. Within ten days of the date of this Order, the Company shall file revised interim rate schedules, interim rates tariff sheets, and supporting documentation reflecting the rate impact of the changes to its interim rates proposal set forth in the preceding paragraph.
3. The Company shall promptly file for review by the Executive Secretary a proposed notice to customers regarding the rate change under the interim rate schedule.
4. The Company shall include with each customer's first bill under the interim rate schedule a notice of the rate change, approved by the Executive Secretary. The Company shall make a filing certifying its compliance with this requirement as soon as compliance is complete.
5. The Company shall keep such records of sales and collections under interim rates as will be necessary to calculate a potential refund within 120 days of the Commission's final Order in this case.
6. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Burl W. Haar
Executive Secretary

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